

March 22, 2012

The Honorable John Walsh
Chairman, House Judiciary Committee
PO Box 30014
Lansing, MI 48909-7514

RE: Senate Bill 269

Dear Chairman Walsh:

I am writing to voice my support for Senate Bill 269, introduced by Senator Tonya Schuitmaker. I am the Collections Manager of a \$250 million Credit Union serving 33,000 members in Southeast Michigan, many of whom are low- to moderate-income. My credit union utilizes small claims on a consistent basis. Being advantaged this option, we have been successful in negotiating directly with the consumer and resolving claims without the court's direct supervision.

Consumer Benefits. I am a strong advocate of small claims because it gives us a chance to open the lines of communication with the consumer and resolve matters directly. Often the defendants in a small claims case are young consumers or consumers that are uneducated on the law and simply cannot afford legal representation. Filing cases in small claims gives the opportunity for a person to understand the process and present the facts of the case without the intimidation of going up against a licensed and practiced member of the bar association. It's a people's courtroom. Although I would love to tell you that my track record in small claims is impeccable, the fact of the matter is that these cases are often easily won because the merits of the case are uncomplicated and do not require an attorney's expertise.

Benefits to the Judicial System. Courts across the country are realizing the benefits and reaping the rewards of using alternative dispute resolution, including mediation and arbitration processes to reduce their docket size and foster a place for parties of a dispute to resolve their conflict in an expeditious and cost effective manner. I would argue that small claims is a very similar option to litigation that also speeds up the process, reduces cost to both parties and frees the court to hear cases of greater monetary value and with a more complex set of facts. Although attorney representation is not permitted in small claims court, either party has the option of retaining legal counsel and removing the case to district court prior to the case being heard. In addition, if the case is heard in front of a magistrate and either party disagrees with the decision, they can appeal the case to a judge of that district court. The small claims process does not remove options from a consumer. On the contrary, it adds to them.

Benefits to the Credit Industry. Raising the threshold also gives much needed relief to local credit unions and community banks that are trying to reduce their costs and keep their doors open. Attorney fees for routine collection cases average \$370 per case. Using this figure, my credit union

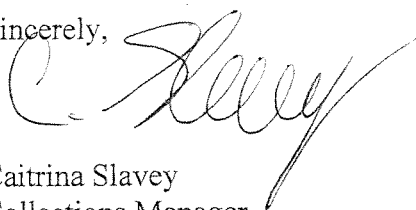
saved nearly \$40,000 in attorney fees in 2011. Additionally, we were awarded 55 small claims judgments in 2010, and 51 in 2011. This option is also a benefit to tax payers and will allow for the state government to aid in the slow rebuilding process of the credit market.

Addressing Attorney Concerns. Some of the opposition to this bill has claimed that by raising the threshold there will be an influx of cases that the courts will not be able to accommodate, and some even worry that it will take business away from attorneys. The idea that an attorney's practice will suffer as a result of Senate Bill 269 is simply unrealistic. While raising the threshold in small claims would allow for cases that were originally excluded due to the jurisdictional amount to be heard, I assure you it does not replace the need for legal representation. With the foreclosure rate refusing to let up, the continuance of bankruptcy abuse despite the best efforts of congress to aid in the prevention of abuse with the act in 2005, and the endless onslaught of compliance regulations imposed on financial institutions, the need for legal representation and support is as much a fixed part of the financial industry as you and I as consumers are.

I would also like to address your attention to MCL 600.8407(2), which restricts any one person or business to 5 small claims filings per week in any one district. This statute was put in place to assist court administrators with their caseload and makes the claim that the court will be overburdened with cases should Senate Bill 269 pass be an obsolete argument.

Several other states have recently heard and passed legislation to raise the threshold for small claims. Michigan is near the bottom of the chart with the current jurisdictional limit of \$3,000. Although a threshold of \$10,000 would put us right at the median level with other states, even the conservative amount of \$8,000 would benefit consumers and businesses alike. I urge you to partner with us in providing the best set of options to the consumer as well as improving the operations of financial institutions by supporting Senate Bill 269. Thank you for your consideration.

Sincerely,



Caitrina Slavey
Collections Manager
Christian Financial Credit Union